

Message Text

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64

ACTION ARA-06

INFO OCT-01 SS-14 ISO-00 EB-03 OES-02 NSC-05 NSCE-00 INR-05

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FM AMEMBASSY QUITO

TO SECSTATE WASHDC IMMEDIATE 5371

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 2965

LIMDIS

E.O. 11652: GDS

TAGS: PFOR, EINV, ENRG, EC

SUBJ: TEXACO-GULF

REF: STATE 99726

1. WE WONDER WHETHER THE IMPLICATIONS HAVE BEEN THOUGHT THROUGH OF A SCENARIO THAT BEGINS WITH WHAT WILL BE TAKEN AS COERCION AND DEFIANCE BEFORE MOVING INTO RATIONAL DISCUSSION. TEXACO-GULF IS EVIDENTLY PREPARED FOR THE OPTION OF EXPROPRIATION. AT THE SAME TIME THE REQUEST FOR AN APPOINTMENT WITH THE PRESIDENT SUGGESTS THEY RETAIN HOPE OF REACHING AGREEMENT. EARLIER PRESSURE TACTICS OF REDUCED LIFTINGS AND DRILLING WERE TAKEN AS SUCH AND RESULTED IN THE RECENT DECREES THAT HAVE AGGRAVATED TEXACO-GULF'S SITUATION. IT SEEMS TO US THAT BEFORE BACKING THE GOE INTO A CORNER THE COMPANIES SHOULD FRANKLY STATE TO THE PRESIDENT THE IMPOSSIBILITY OF THEIR PRESENT SITUATION, INDICATE THAT THE ONLY SOLUTIONS ARE ECONOMIC RELIEF OR DEPARTURE FROM ECUADOR AND THAT THEY ARE PREPARED TO STOP PRODUCING. THEN IT IS UP TO HIM TO CHOOSE AMONG TOUGH OPTIONS. THE INFORMATION WE RECEIVED ON THE LAST TEXACO-GULF MEETING WITH PRESIDENT RODRIGUEZ (QUITO 1975) LEAVES UNCLEAR WHETHER THE HARSH ALTERNATIVES WERE STATED.

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2. IT SEEMS THAT THE COMPANIES HAVE SLOWLY COME AROUND TO THE VIEW THAT IT MIGHT BE BETTER TO BE OUT OF THEIR EQUITY POSITION IN ECUADOR. IF IT COMES TO THAT, IT IS IMPORTANT TO THE USG AND ALL OUR INTERESTS HOW THIS COMES ABOUT. IT COULD BE BY A MUTUAL DECISION FOR THE GOE TO BUTT OUT THE CONSORTIUM ON A SCHEDULE AND RETAIN THE COMPANIES AS OPERATORS PAID FOR THEIR SERVICES IN CRUDE. AT THE OTHER EXTREME THE GOE, CITING COERCION AND DEFIANCE OF ECUADOREAN LAW, COULD THROW THEM OUT ANGRILY, LEAVING COMPENSATION UNSETTLED AND FLEEING TO THE ROMANIANS AND TO OTHER OPEC COUNTRIES FOR POLITICAL, TECHNICAL, AND CAPITAL SUPPORT. ECUADOR HAS ALREADY DRIFTED MARKEDLY FROM A WESTERN TOWARD A THIRD WORLD ORIENTATION AND THIS ISSUE COULD TAKE THE COUNTRY A GIANT STEP FURTHER. THE GOE ADMITTEDLY DOES NOT KNOW HOW TO RUN AN OIL INDUSTRY; BUT IT CERTAINLY KNOWS HOW TO TURN COERCION INTO CONFRONTATION.

3. MESSAGE ON TAX STRUCTURE FOLLOWS.
HEMENWAY

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NNN

Message Attributes

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